

This newsletter gives you information about Medicare Part D and the State's approach to retiree drug coverage for 2006. Please read this newsletter carefully before you make any decisions about the new Medicare prescription drug benefit. You will have six months (November 15, 2005 through May 15, 2006) to enroll in Medicare Part D, if you wish. Please keep this newsletter to refer to as questions arise.

## New Medicare Drug Benefit — What Is It?

**H**ealth care is a large expense for Americans — especially seniors. And, prescription drugs make up most of these costs.

That's why the government passed the Medicare Modernization Act of 2003 — to create the new Medicare prescription drug benefit. This new, optional, prescription drug benefit goes into effect on January 1, 2006 for people who are eligible for Medicare.

You may have already heard about this new benefit — also known as Medicare Part D — from family members, the media, or health care insurance companies. Unlike Medicare Parts A and B, Part D prescription drug coverage is offered through private insurance companies, not the government. So, you may be wondering what the new Medicare benefit means to you and to the prescription drug coverage you receive from the State of Maryland.

### Who Will You Hear From?

You will probably receive brochures from several private insurance companies trying to get you to enroll in Medicare Part D through them. You may also receive telemarketing phone calls from these companies. Please read this newsletter carefully before making any decisions. Remember, you will have from November 15, 2005 through May 15, 2006 to enroll in Medicare Part D.

### How Does This Apply To You?

If you have prescription drug coverage through the State Employee and Retiree Health Benefits Program, you are not required to enroll in Medicare Part D. For most people, keeping the State coverage and not taking Medicare Part D will be the most cost-effective prescription drug coverage, but you should consider the premiums, copayments, coinsurance, and deductible costs under the plan you are eligible for to make the best decision for **your** personal coverage.

**Retired employees:** If you have prescription drug coverage because you are retired, or your spouse is retired, please read this newsletter before you enroll in any Medicare prescription drug plan. The State prescription drug plan is Creditable Coverage. This means that if you decide to keep your State prescription drug coverage and not enroll in Medicare Part D now, you will be permitted to enroll in Medicare Part D later without paying a higher premium (so long as you do not have a break in coverage of 63 or more days).

**Active employees:** If you have prescription drug coverage because you are still working, or because your spouse or other family member is still working, that employer coverage will remain your primary prescription drug coverage unless you drop it. If that coverage is Creditable Coverage, you can wait to enroll in Medicare Part D until a later time, and you will not pay more for your Part D premium when you enroll (so long as you do not have a break in coverage of 63 or more days). The State prescription drug plan is Creditable Coverage.

You can find out more information about the State Employee and Retiree Health Benefits Program, and get links to other Web sites about Medicare Part D by accessing the Department of Budget and Management's Web site, [www.dbm.maryland.gov](http://www.dbm.maryland.gov), using the keywords "Employee Services" and "Health Benefits."

### Important

If you currently have prescription drug benefits through the State, they will continue based on the election you made during the last open enrollment period. There will be another annual enrollment period in spring of 2006 for State benefits.

### Important

If you enroll in a standard Medicare Part D plan, you will be required to pay a premium, which is estimated to be about \$20-\$30 per month **per person** in 2006 and may increase each year. This is in addition to any Medicare Part B premium you may pay.

## About The State's Retiree Prescription Drug Coverage

It's easy to use the State's prescription drug plan to help pay for covered drugs. When you have a prescription filled at a participating pharmacy, you pay a copay, as shown below\*. If your and your dependents' total out-of-pocket copays reach \$700 during the plan year, you and your dependents will not pay any more in copays for covered drugs for the rest of the plan year.

State Prescription Plan	1–45 Day Copay	46–90 Day Copay
Generic drug	\$5	\$10
Preferred Brand name drug**	\$15	\$30
Non-Preferred Brand name drug**	\$25	\$50

\* This is a general overview of the State's current retiree coverage. Please refer to your *Summary of Benefits* for specific information and definitions.

\*\* If you buy a Brand name drug when a Generic drug is available, you will pay the applicable Brand name drug copay, plus the difference in cost between the Generic drug and Brand name drug.

## About The New Medicare Drug Benefit

The chart below shows how the standard Medicare drug benefit works. Insurance companies in your area may offer a plan that looks somewhat different than what's shown here, but the overall value of the standard Medicare drug benefit will be the same no matter where you live.

Drug Cost	Standard Medicare Drug Benefit		Retiree Cost
\$1–\$250	Retiree pays 100%		Up to \$250
\$251–\$2,250	Medicare pays 75%	Retiree pays 25%	Up to \$500
\$2,251–\$5,100	Retiree pays 100%		Up to \$2,850
\$5,101 and up	Medicare pays 95%	Retiree pays 5%	Unlimited

Medicare covers drugs that are called “preferred” drugs. Each Medicare Part D plan offered in your area will have its own preferred drug list. A preferred drug list is a directory of medicines the insurance company feels is the best for treating particular diseases and conditions.

All of the plans offered in your area, as well as the State's retiree drug plan, have a preferred drug list. However, these lists may be different, so be sure to review all of the lists and find out if your medication is covered.

If your drugs are not on the Medicare Part D preferred drug list, Medicare will not pay benefits, and you will pay 100% of the drug cost. If your drugs are not on the State's preferred drug list, the plan will still pay benefits (but you pay a higher amount).

## Medicare Will Not Cover Certain Drugs

Certain types of drugs will not be covered by any Medicare Part D plan. Examples of those drugs include:

- ◆ Barbiturates (sleeping pills)\*
- ◆ Benzodiazepines, such as Valium (central nervous system depressants)
- ◆ Drugs used for anorexia, weight loss, or weight gain\*\*
- ◆ Drugs used for cosmetic purposes or hair growth\*\*
- ◆ Fertility drugs
- ◆ Prescription vitamins and mineral products, except prenatal vitamins and fluoride preparations\*\*
- ◆ Drugs used to relieve the symptoms of cough and colds
- ◆ Non-prescription drugs\*\*
- ◆ Inpatient drugs† or drugs covered under Medicare Part B

\* Covered under the State plan in limited quantities

\*\* Not covered under the State plan

† Inpatient drugs are covered under the health plans

## Which Drug Coverage Is Best For You: State, Medicare, Or Both?

For some seniors, Medicare Part D may be the only source of prescription drug coverage, and therefore, it provides a much needed benefit. But, there are a lot of other seniors — such as most State retirees — who already have coverage through their former employer.

You will need to decide which plan offers you the better benefit: the State's retiree drug benefit or Medicare Part D, or a combination of both. If you choose to enroll in both, you must pay both the State and Medicare Part D monthly premiums.

We can't tell you which plan is best for you, but we believe that most State retirees will receive a better value from the State plan alone because most of our retirees will pay less in out-of-pocket costs with the State's retiree drug coverage.

**If you agree that the State's retiree drug coverage provides you with a more valuable benefit than the new Medicare drug benefit, you do not need to do anything. Your current State retiree drug coverage will continue as before. You do not need to call the State Employee Benefits Office.**

If you decide to enroll in Medicare Part D, you may either drop your State retiree prescription drug coverage or keep it in addition to the Medicare Part D plan. If you decide to enroll in Medicare Part D, you need to call the Employee Benefits Division at (410) 767-4775 to inform us of your decision in case you need to file forms based on your decision.

The Department of Budget and Management will host informational meetings for State retirees to discuss Medicare Part D at the following dates and locations. Two sessions, one at 10:00 a.m. and one at 2:00 p.m., will be held at each location. Space is limited.

**Western Region:** Monday, Nov. 14, 2005, at the Potomac Center, 1370 Marshall St, Hagerstown, MD 21740 in the Gymnasium

**Central Region:** Tuesday, Nov. 15, 2005, at the State Office Complex, 300 W. Preston St, Baltimore, MD 21201 in the Auditorium

**Southern Region:** Wednesday, Nov. 16, 2005, at the Department of Housing and Community Development, 100 Community Place, Crownsville, MD 21032 in Conference Room B

**Eastern Region:** Friday, Nov. 18, 2005, at Salisbury University, College and Camden Ave, Salisbury, MD 21801 in the Wicomico Room

## Comparing Drug Coverage: The State And Medicare

Review the following examples to see how the State's plan compares to the Medicare standard plan. Keep in mind that insurance companies may offer Medicare prescription drug plans other than the standard plan. Also important to consider is the monthly premium for your current coverage and Medicare Part D.

### Example 1 – Generic Drug

Let's assume you regularly take one generic prescription drug. If the actual cost for this drug is \$25 per month (\$300 per year), refer to the following charts to see how much you would pay under each plan for this prescription.

**In this example, the \$40 out-of-pocket cost under the State's plan is much lower than the \$262.50 you would pay for the same drug with Medicare coverage.**

With the State's coverage...	You pay...
A \$10 copay for a 90-day supply – for a total of 4 copays during a 12-month period	\$10 $\times 4$ <b>\$40</b>

With Medicare standard coverage...	You pay...
For the first 10 months, you pay \$25 per month, until you meet the \$250 deductible; Medicare pays nothing	\$250
For the last 2 months, after you have paid the \$250 annual deductible, you pay 25% of the cost and Medicare pays 75% of the cost each month	\$12.50 (\$6.25 x 2 months)
<b>Total</b>	<b>\$262.50</b>

**Example 2 – Preferred Brand Name Drug**

Let's assume you regularly take one preferred Brand name prescription drug that is on the State's and also on Medicare's preferred drug list. If the actual cost for this drug is \$400 per month (\$4,800 per year), refer to the charts below to see how much you would pay under each plan for this prescription.

**In this example, the \$120 out-of-pocket cost under the State's plan is much lower than the \$3,300 you would pay for the same drug with Medicare coverage.**

With the State's coverage...	You pay...
A \$30 copay for a 90-day supply – for a total of 4 copays during a 12-month period	\$30 $\times 4$ <b>\$120</b>
With Medicare standard coverage...	You pay...
For the first month, you pay the \$250 deductible; Medicare pays 75% of the \$150 balance and you pay 25% of the \$150 balance	\$250.00 $+ \$37.50$ <b>\$287.50</b>
For months 2 through 5, Medicare pays 75% of the \$400 cost, you pay 25%	\$400 ( $\$100 \times 4$ months)
In month 6, you will reach the coverage gap of \$2,250; Medicare pays 75% of the first \$250 (up to \$2,250 in costs), you pay the rest	\$212.50 (the balance of this month's costs)
For months 7 through 12, you are in the coverage gap; you pay 100% of the costs and Medicare pays nothing	\$2,400 ( $\$400 \times 6$ months)
<b>Total</b>	<b>\$3,300*</b>

\* If total out-of-pocket expenses reach \$3,600 in a calendar year, Medicare will then pay 95% of eligible expenses for the rest of the year; you would pay 5% of the cost.

**Important**

Remember to compare all your out-of-pocket costs (including premiums, copayments, coinsurance, and deductibles) when deciding which plan is right for you.

**Example 3 – Non-Preferred Brand Name Drug**

Let's assume you regularly take one Brand name prescription drug that is not on the preferred drug list for the State or Medicare. If the actual cost for this drug is \$230 per month (\$2,760 per year), refer to the charts below to see how much you would pay under each plan for this prescription.

**In this example, the \$200 out-of-pocket cost under the State's plan is much lower than the \$2,760 you would pay for the same drug with Medicare coverage.**

With the State's coverage...	You pay...
A \$50 copay for a 90-day supply – for a total of 4 copays during a 12-month period	\$50 $\times 4$ <b>\$200</b>
With Medicare standard coverage...	You pay...
You pay 100% of the cost of the drug, because Medicare does not cover drugs that are not on the preferred drug list	<b>\$2,760</b>

**Important**

If you decide to drop your State retiree/employee prescription drug coverage now, you will have the chance to re-enroll during the next annual open enrollment period (for coverage beginning July 1, 2006). You can decide to drop your State retiree/employee prescription drug coverage and keep all the medical coverage you already have through the State Employee and Retiree Health Benefits Program. However, we believe most State retirees will receive a better value from the State plan alone.

## Medicare Part D And State Coverage

If you decide to buy Medicare Part D coverage and keep your current State coverage as a State retiree, Medicare Part D will become your primary source of prescription drug coverage. The State's coverage will be secondary. This means that Medicare will pay benefits first, then the State's coverage will coordinate with the benefits that Medicare pays. So when you go to the pharmacy to fill a prescription, **you must give your Medicare Part D ID card to the pharmacist first.** State Retirees and their covered dependents who apply for Part D and keep State coverage must provide the following information about their State secondary coverage on their Medicare Part D application: **BIN 012114** and **PCN COBPCS**.

Here's how the State plan will work as your secondary coverage when you have primary coverage through Medicare Part D:

### Important

Remember, if you keep your State coverage and add Medicare Part D coverage, you will have to pay the State premium you pay now plus the Medicare Part D premium.

**1** You must meet the annual \$250 Medicare Part D deductible before Medicare will begin paying benefits. During this time, your State coverage will pay benefits and you will only be required to pay the applicable copays of State coverage. Once your copays combined with the State's payments reach \$250, Medicare will begin paying benefits. Your true out-of-pocket (TrOOP) costs for the Part D plan will only reflect what you paid and not what the State paid.

**2** After you have met the Medicare annual deductible of \$250, Medicare Part D will pay 75% of the eligible cost of drugs on their preferred drug list up to \$2,250 in costs. The State will pay benefits and will make up the difference between what Medicare pays, if anything, and the applicable State copay you are required to pay.

**3** When the amount of copays you have paid during the plan year reaches \$700, you will have met the out-of-pocket maximum for the State prescription drug coverage. This means the State plan pays for eligible expenses not covered by your Medicare Part D coverage in full for the rest of the plan year. You should still give your pharmacist your Medicare Part D ID card.

**The out-of-pocket costs you pay for which you are not reimbursed are called your "true out-of-pocket costs," or "TrOOP." When your TrOOP exceeds \$3,600, you are eligible for the catastrophic coverage step of a Part D plan.**

## Seniors With Low Incomes

The federal government will offer seniors with limited income and resources extra help paying for prescription drug coverage through Medicare Part D. There are several levels of aid, depending on your income and financial resources (such as bank accounts). Your home, vehicle, and personal possessions will not count toward determining if you qualify for the extra help.

If you qualify for financial assistance, you may:

- ◆ Not have to pay the Medicare Part D monthly premium or pay a reduced amount;
- ◆ Not have to pay the annual deductible or pay a reduced amount; and
- ◆ Pay a lot less – or even nothing – for covered prescription drugs.

Therefore, if you qualify for this assistance, Medicare Part D may be the better benefit for you than the State's retiree prescription drug coverage.

For more information or to find out if you qualify, contact your local Medicaid agency office or the Social Security Administration (SSA). The national toll-free number for the SSA is 1-800-772-1213. Or, for more detailed information and an online tool to help you find out if you qualify, access the SSA Web page at [www.socialsecurity.gov](http://www.socialsecurity.gov) and click on New Medicare Prescription Drug Plan.

## To Learn More About Medicare Part D

More detailed information about Medicare plans that offer prescription drug coverage will be available in October 2005 in the “*Medicare & You 2006*” handbook. You may get a copy of the handbook in the mail from Medicare or you can print a copy from the Medicare Web site listed below. You may also be contacted directly by Medicare prescription drug plans. You can also get more information about Medicare prescription drug plans and how to choose what coverage is best for you from these places:

- ◆ Social Security Administration at 1-800-772-1213 or [www.socialsecurity.gov](http://www.socialsecurity.gov).
- ◆ Medicare at 1-800-MEDICARE (1-800-633-4227) or [www.medicare.gov](http://www.medicare.gov). TTY users should call 1-877-486-2048.
- ◆ The State Health Insurance Assistance Program (SHIP). The phone number for the SHIP in your area is available on the Department of Aging Web site ([www.mdoa.state.md.us/ship.html](http://www.mdoa.state.md.us/ship.html)) and in the “*Medicare & You 2006*” handbook. Please also visit [www.mdoa.state.md.us](http://www.mdoa.state.md.us) and click on “Medicare Fact Sheet” at the bottom of the page for more information on the Medicare prescription drug plan.
- ◆ Office of the Attorney General at [www.oag.state.md.us](http://www.oag.state.md.us). The Attorney General provides some basic information and guidance about Medicare Part D.

**Open Immediately – Important Information  
About Your State Benefits Enclosed!**

